



# House of Representatives

General Assembly

**File No. 180**

*January Session, 2001*

Substitute House Bill No. 6562

*House of Representatives, April 9, 2001*

The Committee on Commerce reported through REP. SAMOWITZ of the 129th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING REFERENCES TO THE 1997 NORTH AMERICAN INDUSTRIAL CLASSIFICATION SYSTEM.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (d) of section 32-9p of the general statutes is  
2 repealed and the following is substituted in lieu thereof:

3 (d) "Manufacturing facility" means any plant, building, other real  
4 property improvement, or part thereof, (1) which (A) is constructed or  
5 substantially renovated or expanded on or after July 1, 1978, in a  
6 distressed municipality, a targeted investment community as defined  
7 in section 32-222, or an enterprise zone designated pursuant to section  
8 32-70<sub>2</sub>, or (B) is acquired on or after July 1, 1978, in a distressed  
9 municipality, a targeted investment community as defined in section  
10 32-222, or an enterprise zone designated pursuant to said section 32-70,  
11 by a business organization which is unrelated to and unaffiliated with  
12 the seller, after having been idle for at least one year prior to its  
13 acquisition and regardless of its previous use; (2) which is to be used

14 for the manufacturing, processing or assembling of raw materials,  
15 parts or manufactured products, for research and development  
16 facilities directly related to manufacturing, for the significant servicing,  
17 overhauling or rebuilding of machinery and equipment for industrial  
18 use, or, except as provided in this subsection, for warehousing and  
19 distribution or, (A) if located in an enterprise zone designated  
20 pursuant to said section 32-70, which is to be used by an establishment,  
21 an auxiliary or an operating unit of an establishment as such terms are  
22 defined in the Standard Industrial Classification Manual, in the  
23 categories of depository institutions, nondepository credit institutions,  
24 insurance carriers, holding or other investment offices, business  
25 services, health services, fishing, hunting and trapping, motor freight  
26 transportation and warehousing, water transportation, transportation  
27 by air, transportation services, security and commodity brokers,  
28 dealers, exchanges and services, telemarketing or engineering,  
29 accounting, research, management and related services including, but  
30 not limited to, management consulting services from the Standard  
31 Industrial Classification Manual or in Sector 48, 49, 52, 54, 55, or 62,  
32 Subsector 114 or 561, or industry group 5621 in the North American  
33 Industrial Classification System, United States Manual, United States  
34 Office of Management and Budget, 1997 edition, which establishment,  
35 auxiliary or operating unit shows a strong performance in exporting  
36 goods and services, and as further defined by the commissioner  
37 through regulations adopted under chapter 54, [or in Sector 48, 49, 52,  
38 54, 55, or 62, Subsector 114 or 561, or industry group 5621 in the North  
39 American Industrial Classification System, United States manual,  
40 United States Office of Management and Budget, 1997 edition,] or (B) if  
41 located in an enterprise zone designated pursuant to said section 32-70,  
42 which is to be used by an establishment primarily engaged in  
43 supplying goods or services in the fields of computer hardware or  
44 software, computer networking, telecommunications or  
45 communications, or (C) if located in a municipality with an  
46 entertainment district designated under section 32-76 or established

47 under section 2 of public act 93-311\*, is to be used in the production of  
48 entertainment products, including multimedia products, or as part of  
49 the airing, display or provision of live entertainment for stage or  
50 broadcast, including support services such as set manufacturers,  
51 scenery makers, sound and video equipment providers and  
52 manufacturers, stage and screen writers, providers of capital for the  
53 entertainment industry and agents for talent, writers, producers and  
54 music properties and technological infrastructure support including,  
55 but not limited to, fiber optics, necessary to support multimedia and  
56 other entertainment formats, except entertainment provided by or  
57 shown at a gambling or gaming facility or a facility whose primary  
58 business is the sale or serving of alcoholic beverages; and (3) for which  
59 the department has issued an eligibility certificate in accordance with  
60 section 32-9r. In the case of facilities which are acquired, the  
61 department may waive the requirement of one year of idleness if it  
62 determines that, absent qualification as a manufacturing facility under  
63 subdivisions (59) and (60) of section 12-81, and sections 12-217e, 32-9p  
64 to 32-9s, inclusive, and 32-23p, there is a high likelihood that the  
65 facility will remain idle for one year. In the case of facilities located in  
66 an enterprise zone designated pursuant to said section 32-70, (A) the  
67 idleness requirement in subparagraph (B) of subdivision (1) of this  
68 subsection, for business organizations which over the six months  
69 preceding such acquisition have had an average total employment of  
70 between six and nineteen employees, inclusive, shall be reduced to a  
71 minimum of six months, and (B) the idleness requirement shall not  
72 apply to business organizations with an average total employment of  
73 five or fewer employees, provided no more than one eligibility  
74 certificate shall be issued under this subparagraph for the same facility  
75 within a three-year period. Of those facilities which are for  
76 warehousing and distribution, only those which are newly constructed  
77 or which represent an expansion of an existing facility qualify as  
78 manufacturing facilities. In the event that only a portion of a plant is  
79 acquired, constructed, renovated or expanded, only the portion

80 acquired, constructed, renovated or expanded constitutes the  
81 manufacturing facility. A manufacturing facility which is leased may  
82 for the purposes of subdivisions (59) and (60) of section 12-81 and  
83 sections 12-217e, 32-9p to 32-9s, inclusive, and 32-23p, be treated in the  
84 same manner as a facility which is acquired if the provisions of the  
85 lease serve to further the purposes of subdivisions (59) and (60) of  
86 section 12-81, and sections 12-217e, 32-9p to 32-9s, inclusive, and 32-  
87 23p and demonstrate a substantial, long-term commitment by the  
88 occupant to use the manufacturing facility, including a contract for  
89 lease for an initial minimum term of five years with provisions for the  
90 extension of the lease at the request of the lessee for an aggregate term  
91 which shall not be less than ten years, or the right of the lessee to  
92 purchase the facility at any time after the initial five-year term, or both.  
93 For a facility located in an enterprise zone designated pursuant to said  
94 section 32-70, and occupied by a business organization with an average  
95 total employment of ten or fewer employees over the six-month period  
96 preceding acquisition, such contract for lease may be for an initial  
97 minimum term of three years with provisions for the extension of the  
98 lease at the request of the lessee for an aggregate term which shall not  
99 be less than six years, or the right of the lessee to purchase the facility  
100 at any time after the initial three-year term, or both, and may also  
101 include the right for the lessee to relocate to other space within the  
102 same enterprise zone, provided such space is under the same  
103 ownership or control as the originally leased space or if such space is  
104 not under such same ownership or control as the originally leased  
105 space, permission to relocate is granted by the lessor of such originally  
106 leased space, and such relocation shall not extend the duration of  
107 benefits granted under the original eligibility certificate. Except as  
108 provided in subparagraph (B) of subdivision (1) of this subsection, a  
109 manufacturing facility does not include any plant, building, other real  
110 property improvement or part thereof used or usable for such  
111 purposes which existed before July 1, 1978.

112 Sec. 2. Subsection (f) of section 32-9r of the general statutes is

113 repealed and the following is substituted in lieu thereof:

114 (f) The commissioner shall adopt regulations, in accordance with  
115 chapter 54, to carry out the provisions of this section. Such regulations  
116 shall provide that establishments in the category of business services,  
117 as defined in the Standard Industrial Classification Manual, or [in  
118 Sector 48, 49, 52, 54, 55, or 62, Subsector 114 or 561, or industry group  
119 5621 in the North American Industrial Classification System United  
120 States manual, United States Office of Management and Budget, 1997  
121 edition, shall] manufacturing facilities, as defined in subsection (d) of  
122 section 32-9p, as amended by this act, may be eligible for a certificate if  
123 they are located in an enterprise zone.

124 Sec. 3. This act shall take effect from its passage.

***Statement of Legislative Commissioners:***

In section 2, "businesses, as defined in subsection (d) of section 32-9p" was replaced with "manufacturing facilities, as defined in subsection (d) of section 32-9p" for accuracy of reference.

**CE**            **JOINT FAVORABLE SUBST.**

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** None

**Affected Agencies:** Department of Economic and Community Development

**Municipal Impact:** None

**Explanation****State Impact:**

The bill corrects a reference made in PA 00-174, makes other conforming and technical changes to be consistent with the current law and the new industry classification codes and is anticipated to have no fiscal impact. The new North American Industry Classification System (NAICA) has been in effect since 1997. It replaces the Old Standard Industrial Classification Code System which was last revised by the U.S. Government in 1987.

**OLR Bill Analysis**

sHB 6562

***AN ACT CONCERNING REFERENCES TO THE 1997 NORTH AMERICAN INDUSTRIAL CLASSIFICATION SYSTEM.*****SUMMARY:**

This bill makes uniform the criteria under which businesses in specific classes of two different national classification systems qualify for enterprise zone benefits. Under current law, businesses in specified Standard Industrial Classification (SIC) groups must demonstrate a strong performance in exporting goods or services in order to qualify for benefits, while businesses in specified North American Industrial Classification System (NAICS) groups do not. The bill places the former requirement on businesses in the specified NAICS groups. The NAICS is a new classification system that will eventually replace the SIC.

The bill also conforms the statute authorizing regulations to other statutes specifying eligibility criteria. Under current law, the regulations require the economic and community development commissioner to issue eligibility certificates to business in specified industry groups regardless of whether they show a strong performance in exporting goods and services. Under the bill, the regulations must give the commissioner discretion to grant eligibility certificates based on the businesses meeting all necessary criteria.

EFFECTIVE DATE: Upon passage

**BACKGROUND*****North American Industrial Classification System***

PA 00-174 amended the definition of “manufacturing facility” by adding references to the 1997 NAICS manual that correspond to existing references to the 1987 SIC manual. Over the next few years, the NAICS reference numbers will replace the SIC numbers.

**COMMITTEE ACTION**

Commerce Committee

Joint Favorable Substitute

Yea 24      Nay 0